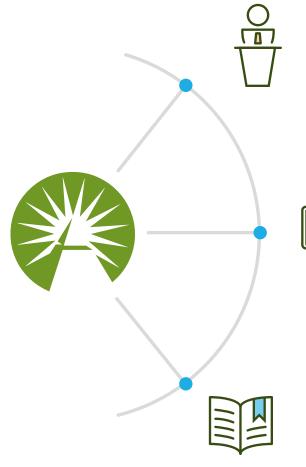


Applying fundamental & technical analysis in stock investing





Develop an Ongoing Strategy with Fidelity



Live demonstration of research and trading tools

Software and mobile apps to enhance your trading experience

Resources for making more prudent and informed decisions

Today's Agenda



Explore ways to use fundamental and technical analysis to help make more informed trading decisions and show you the tools Fidelity offers that can help along the way.

Overview of Fundamental & Technical Analysis

Bringing It All Together



Tool Demonstrations



Fundamental Analysis



Getting started with stock investing



Why do you invest in stocks?

- Create and grow your portfolio
- Increase income

What should you consider?

- Timeframe what time are you looking to invest in stocks?
- Investment how much money do you want to put towards this strategy?
- Exit strategy what is your plan for getting out of this investment?

Getting started with stock investing

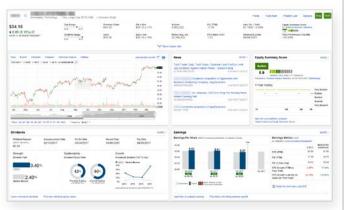


Make a list

- Research make a list of stocks to consider
- ☐ Analyze narrow down your list
- Buy place your trades
- Post -Trade Monitor track performance and news to determine next steps

Fundamental Analysis





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What is it?

- The study of a company measures used may include:
 - Quality of management
 - Labor relations
 - Inventory control
 - Return on equity, assets, etc...

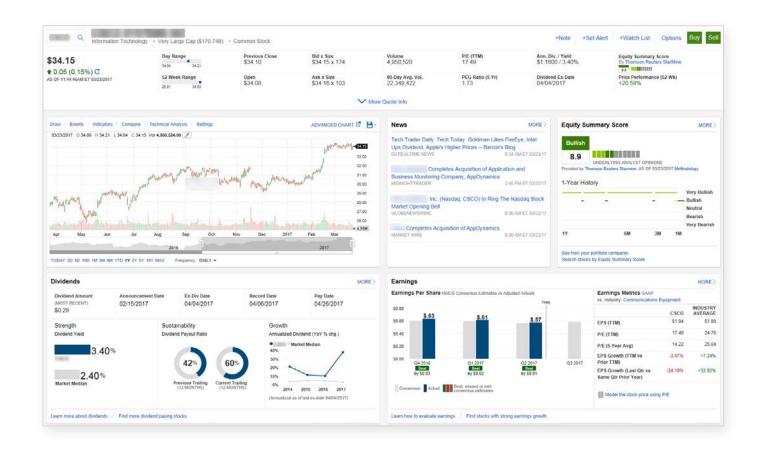
Why should you use it?

 Helps to understand if the company is a "good" company – does it meet your expecations

Where can I learn more?

 View <u>Introduction to fundamental analysis</u> from the Fidelity Learning Center





Stock Research Experience

A snapshot of the selected stock



Stock Research Experience





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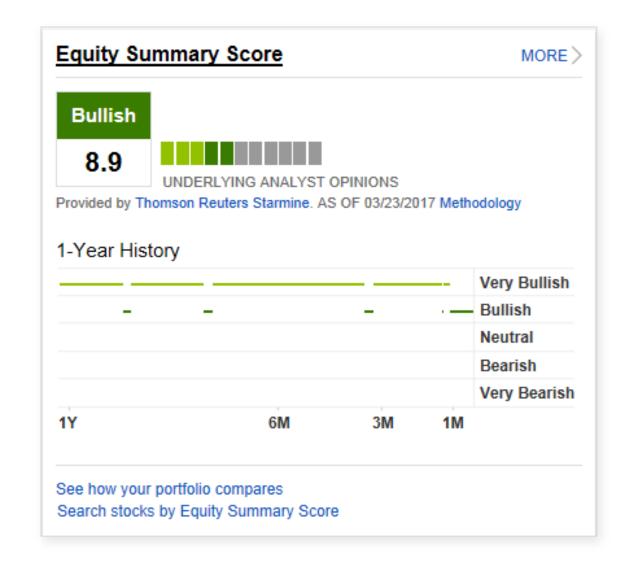
What's unique about it?

- Provides a dashboard for you to easily access everything you need to help make investment decisions in one place
- Displays quotes, news, dividends, earnings, company profile, and the Equity Summary Score by Thomson Reuters Starmine—all on one page
- Provides Fundamental Analysis and Recognia Technical Analysis to save time on research and provide an overall assessment of a company's valuation, quality, growth stability, and financial health
- Review Social Sentiment and Top Competitors information for a selected security

Where can I learn more?

 View <u>Getting the most out of Fidelity's stock research</u> from the Fidelity Learning Center





Equity Summary Score

by Thomson Reuters Starmine

A single stock rating based on third-party analyst opinions, weighted by past accuracy



Screenshot is for illustrative purposes only.

Equity Summary Score





The Equity Summary Score is provided for informational purposes only, does not constitute advice or guidance, and is not an endorsement or recommendation for any particular security or trading strategy. The Equity Summary Score is provided by Thomson Reuters StarMine, an independent company not affiliated with Fidelity Investments. For more information and details, go to Fidelity.com.

What's unique about it?

- In conjunction with other criteria, screen stocks to help identify those you may want to include or exclude from further analysis
- Monitor the consolidated opinion of the independent research providers that are following the stocks currently in your portfolio

Where can I learn more?

 View <u>Power your stock analysis with the Equity</u> <u>Summary Score from Thomson Reuters StarMine</u> from the Fidelity Learning Center

Earnings: work with common valuation ratios



	IBM	INDU STRY AVERAGE
EPS (TTM)	\$12.17	\$3.85
P/E (TTM)	12.76	25.99
P/E (5-Year Avg)	12.36	24.95
EPS Growth (TTM vs Prior TTM)	-8.36%	-1.11%
EP\$ Growth (Last Qtr vs Same Qtr Prior Year)	-11.48%	-5.06%

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Price-to-Book (P/B)

- Your share of the assets
- Stocks' price divided by its book value per share
- Price/Book ratio compares the market's valuation of a company to its book value according to its financial statements

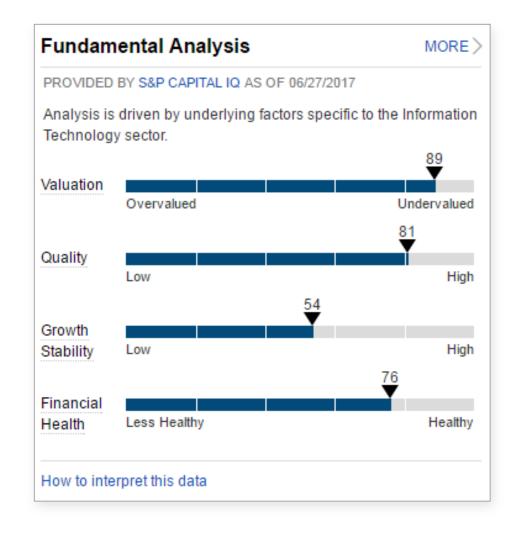
Price-to-Earnings (P/E)

- Comparison of a company's current share price to its earnings per share during a specified time period
- P/E Ratio Closing Stock Price / Annual Earnings per share

Price-to-Sales (P/S)

- Value of revenue
- A stock's price divided by sales per share for a specified period of time
- Time periods measure include: Most Recent Quarter (MRQ) and Trailing 12 Months (TTM)





Fundamental Four

provided by S&P Capital IQ

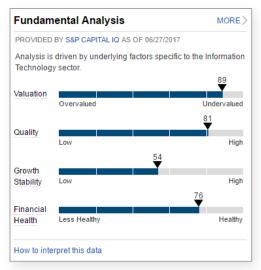
Combining these 4 metrics provides you with a broad overview of the company's financial results, the market's demand for the company's shares, and how much financial risk the investment carries



Screenshot is for illustrative purposes only.

Use fundamentals to assess strengths & weaknesses





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Valuation

Is a company overvalued or undervalued in relation to its peers.

Quality

 Assesses a company's overall earnings quality. How well is a company being operated?

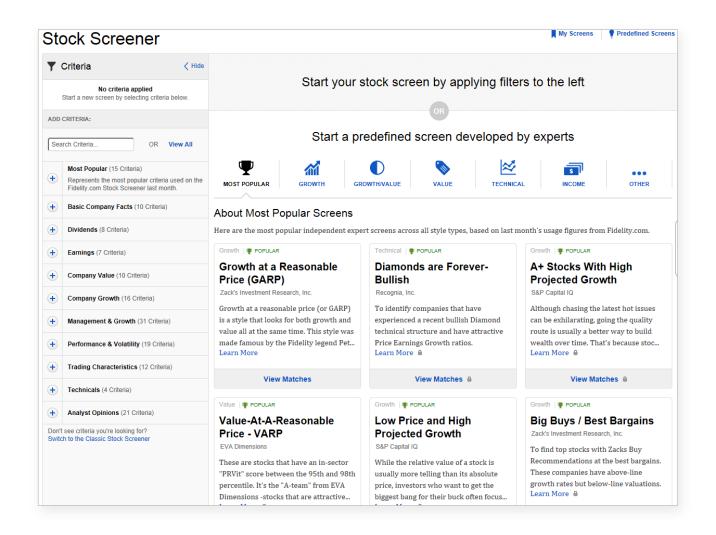
Growth Stability

 Assesses how stable the growth of earnings and cash flow has been over time.

Financial Health

Evaluates a company's debt and interest obligations. Does it have a strong balance sheet?





Stock Screener

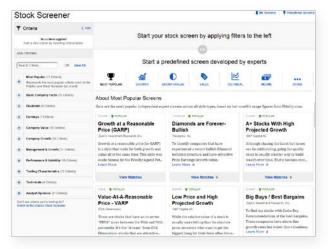
A great resource to help you easily match your ideas with potential investments



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Stock Screener





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What's unique about it?

- Leverage predefined screens to see how industry experts identify stocks with distinct characteristics
- Add your own stock ideas to the results list to see how they compare
- Choose from over 140 criteria to focus stock characteristics based on your specific goals
- Access anywhere from any device

Where can I learn more?

 Visit the <u>Getting started with the Stock Screener</u> video from the Fidelity Learning Center



Technical Analysis



Technical Analysis





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What is it?

- The study of past market data
- Stock prices are determined by supply and demand
- Shifts in supply and demand cause reversals in trends
- Trends and reversals in trend can be seen in charts
- Chart patterns tend to repeat themselves

Why should you use it?

 Helps to determine the potential opportunities when entering or exiting a trade

Assumptions behind technical analysis





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- Prices in freely traded markets are determined by economic principles of supply and demand
 - Exceptions and emotions are an important factor in supply and demand
- Price discounts everything
 - All information related to the security is reflected in the price
- Prices are non-random but not necessarily predictable
- Prices have direction and tend to travel in observable trends
- Behavior and history in the marketplace will repeat itself
- Price patterns summarizing behavior are "fractal"
 - Patterns can work in different time frames intraday, daily, weekly, monthly charts

Limits of technical analysis





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- Not a perfect investment method
 - Requires study, experience in markets, patience, discipline, knowledge of technical methods, and a positive attitude
- Patterns, trends, and indicators are never precise
 - An art, not a science
 - Charts need human interpretation
- Technical analysis is subjective
 - Susceptible to the same emotions and cognitive bias as that of all investors

Where can I learn more?

 Read What is Technical Analysis? on the Fidelity Learning Center





Charts

A visual representation of data that can help spot patterns and trends

- Security analysis requires charts to analyze earnings and sales growth
- Technical analysis requires charts to analyze price behavior

Bar chart





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What does it include?

- Open, High, Low, close
- Volume for a specific time interval, for example: day, hour, month

What are some advantages?

- More common
- Easily read
- Provides full range of trading for time interval
- Volume for a specific time interval, for example: day, hour, month
- Shows volatility from day-to-day

Candlestick chart





What does it include?

- Open, High, Low, close
- Volume for a specific time interval, for example: day, hour, month

What are some advantages?

- Is more visual patterns and trends are easier to see
- Uses color to show difference between open and close price –
 white for close > open and black for close < open
- Shows volatility from open to close

Where can I learn more?

Read What are charts? on the Fidelity Learning Center





Technical anal

Trends &

Trend Lines

Technical analysis is based on one major principle – **trend.**

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The importance of trend





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Why is trend important?

- Trends arise from the interaction of buyers and sellers
- Trend identification is the primary tool in price forecasting analysis
- Trend's direction is described by the relative location of peaks and troughs
 - Upward trend (successively higher peaks and higher troughs)
 - Downward trend (successively lower peaks and lower troughs)
 - Sideways trend (consolidation period where there is no clear direction in prices)

Understanding a few assumptions





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- Trends tend to continue rather than reverse, though eventually they end.
- Trends are influenced by the next longer and next shorter trend.
- Trends are fractal they occur over different time periods (hourly, daily, monthly) but their behavior is the same.
- Trends are not mechanical methods that can easily be programmed and tested on computers.

Trend lines





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What is a trend line?

- While trend is a direction, a trend line is an attempt to define and utilize that direction.
- They connect reversal points of the same magnitude and orientation.
- Drawn from peak to peak and from trough to trough.

Types of trend lines

- Upward sloping line drawn from trough to higher trough
- Downward sloping line drawn from peak to lower peak
- Support –line drawn through troughs at the same price level
- Resistance –line drawn through peaks at the same price level

Using trend lines





Things to know:

- Trend lines are drawn into the future because they continue to provide support and resistance.
- Prices tend to "bounce" off trend lines.
- Trends are influenced by the next larger and next smaller trend.
- Breaking a trend line can be a sign of directional change.
- After breaking a trend line, price can often return to it from the opposite direction. These are called "retracements."

Where can I learn more?

Read <u>Basic concepts of trend</u> on the Fidelity Learning Center

Technical Indicator Guide



Research > Learning Center > Technical Indicator Guide

MACD

• A momentum oscillator primarily used to trade trends.



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Simple Moving Average (SMA)

 The average price over the specified period.





Bringing it all together







1

Do you rely more on fundamental or technical analysis to help make trading decisions? 2

Do you establish an exit strategy before placing a trade?

3

How do you establish the size of your position?





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The Trading Process

Having a plan can assist with taking away the emotional attachment to a trade by helping to define when to enter and exit a trade.

Trade management



Why is trade management important?

- Preserves capital
- Potentially locks in profits
- Creates a disciplined trading approach
- Helps remove emotional decisions

Before placing a trade, consider the following:

- Have you determined an acceptable amount of risk?
- How much capital are you willing to allocate to any idea?
- What is the right position size?
- What is the criteria for entry (at what price)?
- What is the criteria for exiting (for both upside and downside)?

Risks to be aware of



Investment or trading risk

 Is related to the overall market risk of decline, the overall issue risk of decline, and the risk of a series of bad trades.

Market risk

 Can potentially be alleviated by studying the market indicators and exiting from the market entirely when conditions are poor.

Individual risk

 Can potentially be alleviated by the use of protective and trailing stops, which also define the capital risk in each position.

Where can I learn more?

Read <u>Psychological challenges of trading</u> on the Fidelity Learning Center

Using order types to help manage risk





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- **Stop Loss/Stop Limit**
- **Trailing Stops**
- **Conditional Orders**

Where can I learn more?

Read What you need to know about exit strategies on the Fidelity Learning Center

An innovative visual tool – Trade Armor®





With Trade Armor® you can easily:

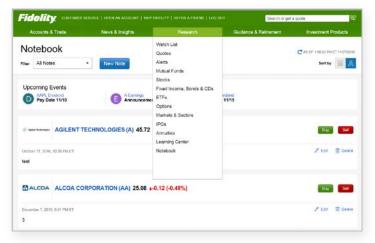
- View position level unrealized and year-to-date realized gain/loss information
- Place a variety of order types
- Drag the price points on the chart to adjust the price of an order
- Easily create and manage alerts

Where can I learn more?

- Watch <u>Visually explore trade & risk management strategies</u> with <u>Trade Armor</u>® on the Fidelity Learning Center
- Check out <u>Active Trader Solutions on Fidelity.com</u> to download Active Trader Pro®

More tools in the kit





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Fidelity Notebook

- Helps to capture, track, and save investing ideas in one convenient location across all devices
- Provides updates on price, earnings, and dividends

Alerts

- Market and account information you need, when you need it
 - Track the price of particular security
 - Be notified of stock, bond and mutual fund events
 - Subscribe to market commentaries and reports

Next Steps



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Better understand how to use our research and trading tools

Further utilize the Fidelity trading platform

Create a more effective, overall trading strategy

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Technical analysis focuses on market action — specifically, volume and price. Technical analysis is only one approach to analyzing stocks. When considering which stocks to buy or sell, you should use the approach that you're most comfortable with. As with all your investments, you must make your own determination as to whether an investment in any particular security or securities is right for you based on your investment objectives, risk tolerance, and financial situation. Past performance is no guarantee of future results.

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